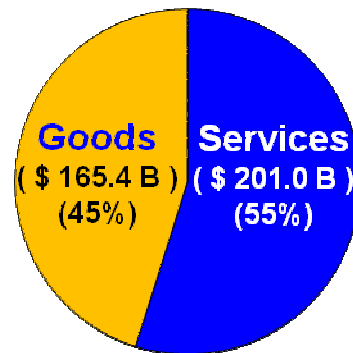


# Today's Acquisition Challenges



*Dr. Nancy L. Spruill*

*Director, Acquisition Resources and Analysis*

*Office of the Under Secretary of Defense for Acquisition, Technology and Logistics*



Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE <b>MAY 2011</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2011 to 00-00-2011</b>	
4. TITLE AND SUBTITLE <b>Today's Acquisition Challenges</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>Office of the Under Secretary of Defense for Acquisition, Technology and Logisti,Acquisition Resources and Analysis,Washington,DC,20301</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES <b>Presented at the Naval Postgraduate School's 8th Annual Acquisition Research Symposium, 10-12 May 2011, Seaside, CA.</b>					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT <b>Same as Report (SAR)</b>	18. NUMBER OF PAGES <b>29</b>	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

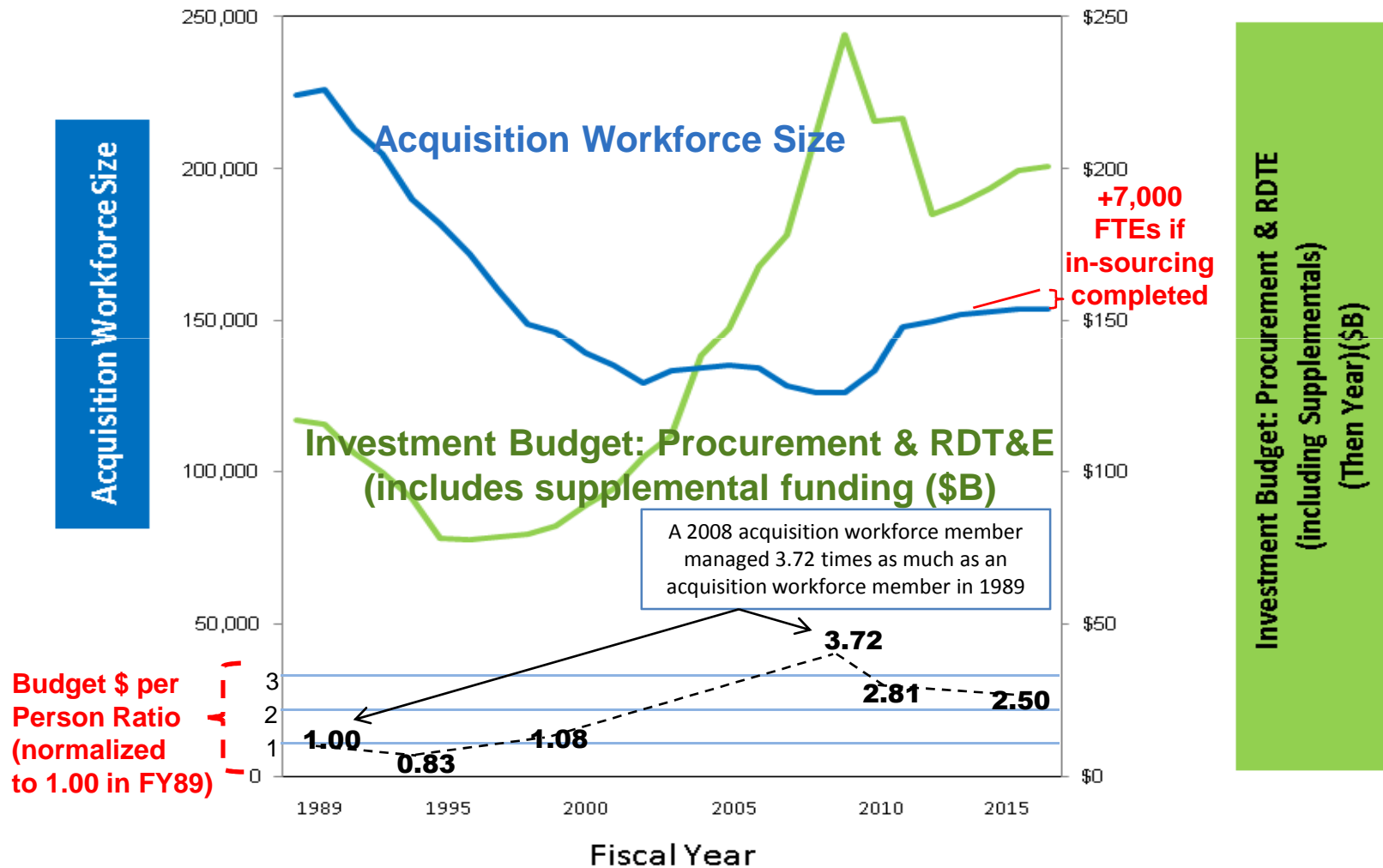
# *Agenda*

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- Acquisition workforce
- Better Buying Power initiatives
- More on targeting affordability and controlling cost growth
- Data – Major Programs
- Future research ideas



# Acquisition Workforce



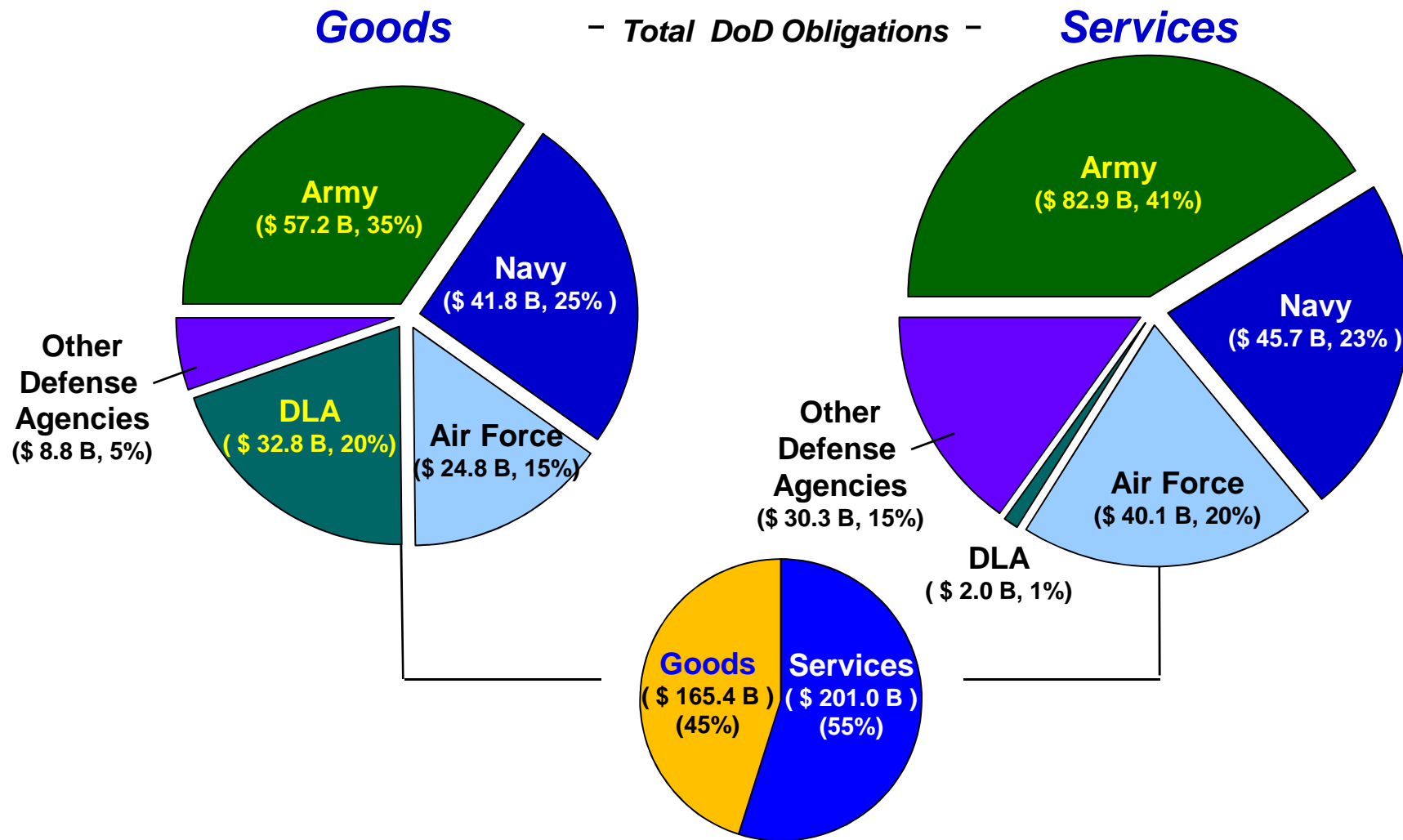
# ***Better Buying Power Initiatives***

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- Incentivize Productivity and Innovation in Industry
- Promote Real Competition
- Improve Tradecraft in Services Acquisition
- Reduce Non-Productive Processes and Bureaucracy
- Target Affordability and Control Cost Growth



# FY10 DoD Contract Spending



# *Affordability*

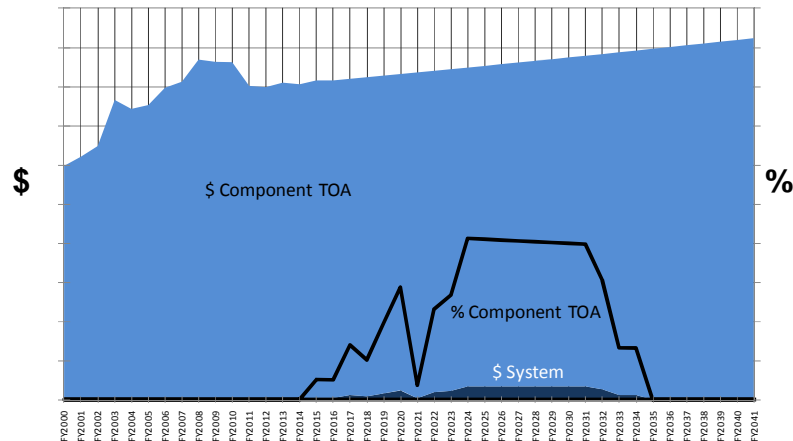
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- Affordability is a portfolio attribute
  - Not a program attribute
  - Not a “yes or no” question
- Affordability has two main components:
  - How likely are future costs to exceed projected resources?
  - What do we have to give up in order to buy this?

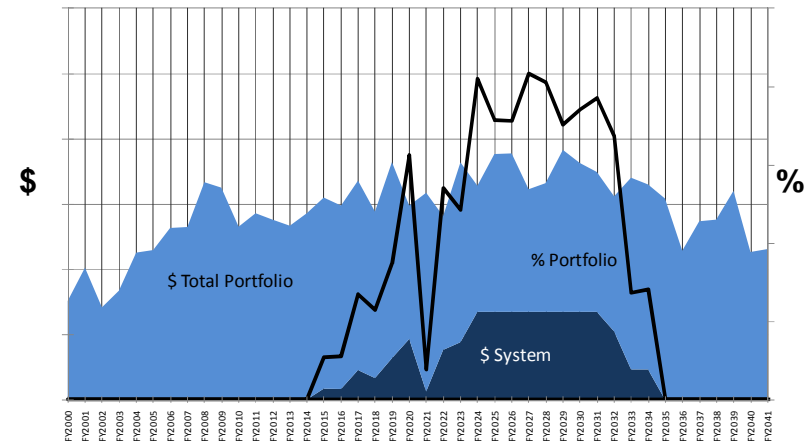


# Affordability - Portfolio View

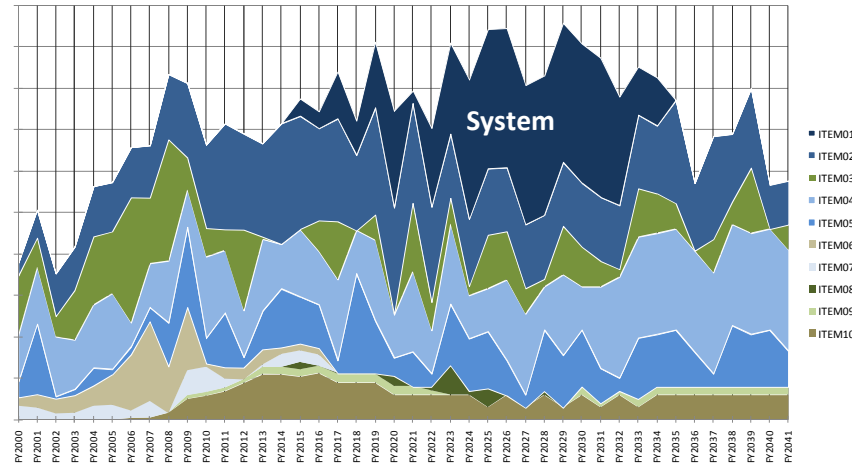
System % of Component TOA



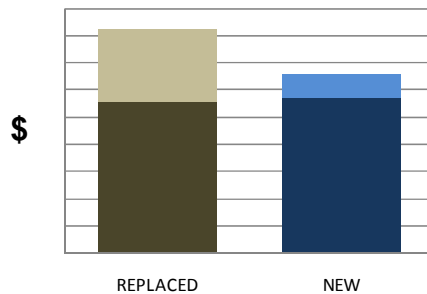
System % of Portfolio



Portfolio Budget by Item



Average End Cost Replaced vs New



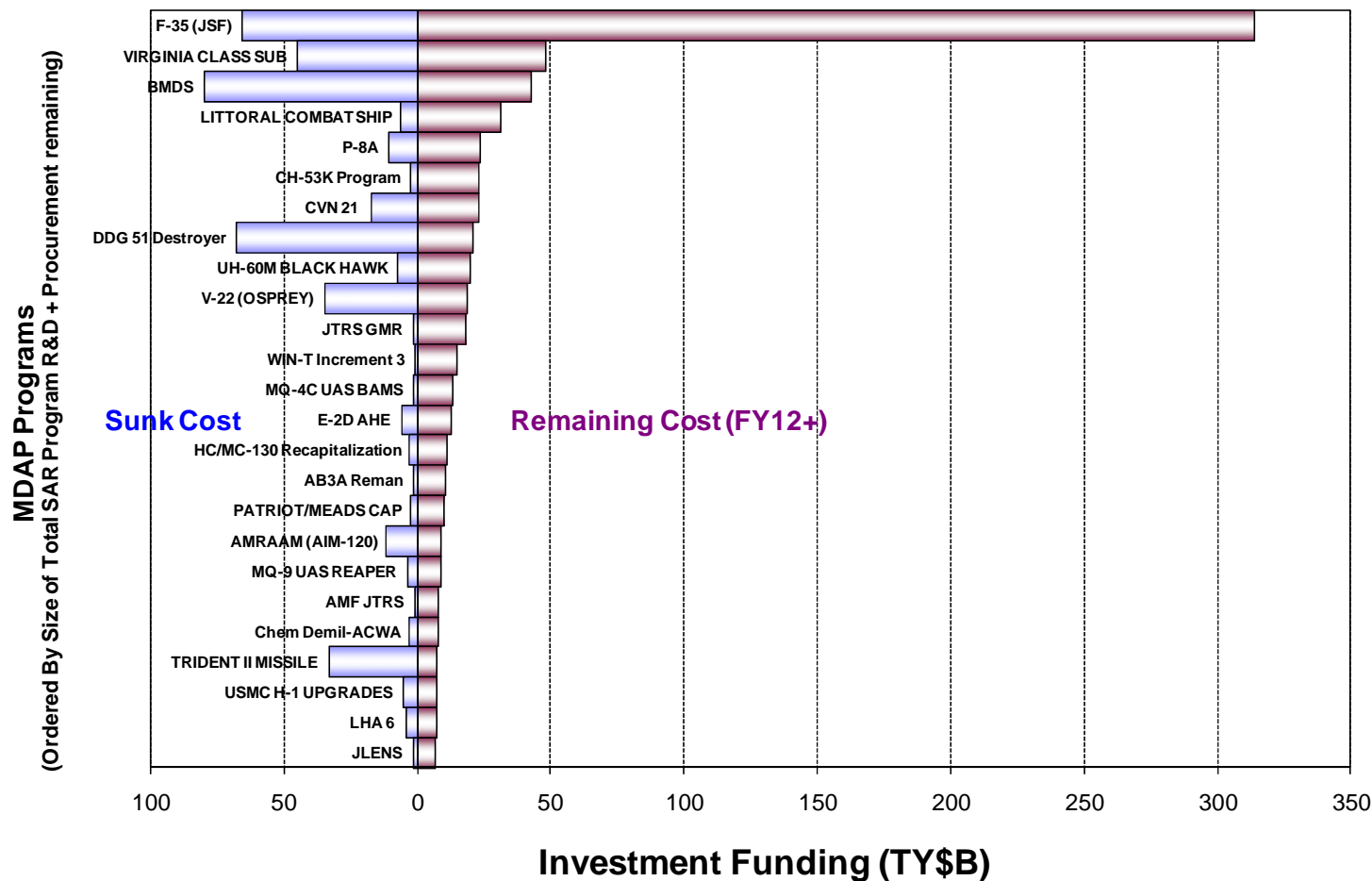
		Total FY 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40																																						
New	X	Qty										x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x												
New and Replaced System Procurement Profiles																																								
		Total FY 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 00 01 02 03 04																																						
Replaced	Y	Qty	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y	y																			



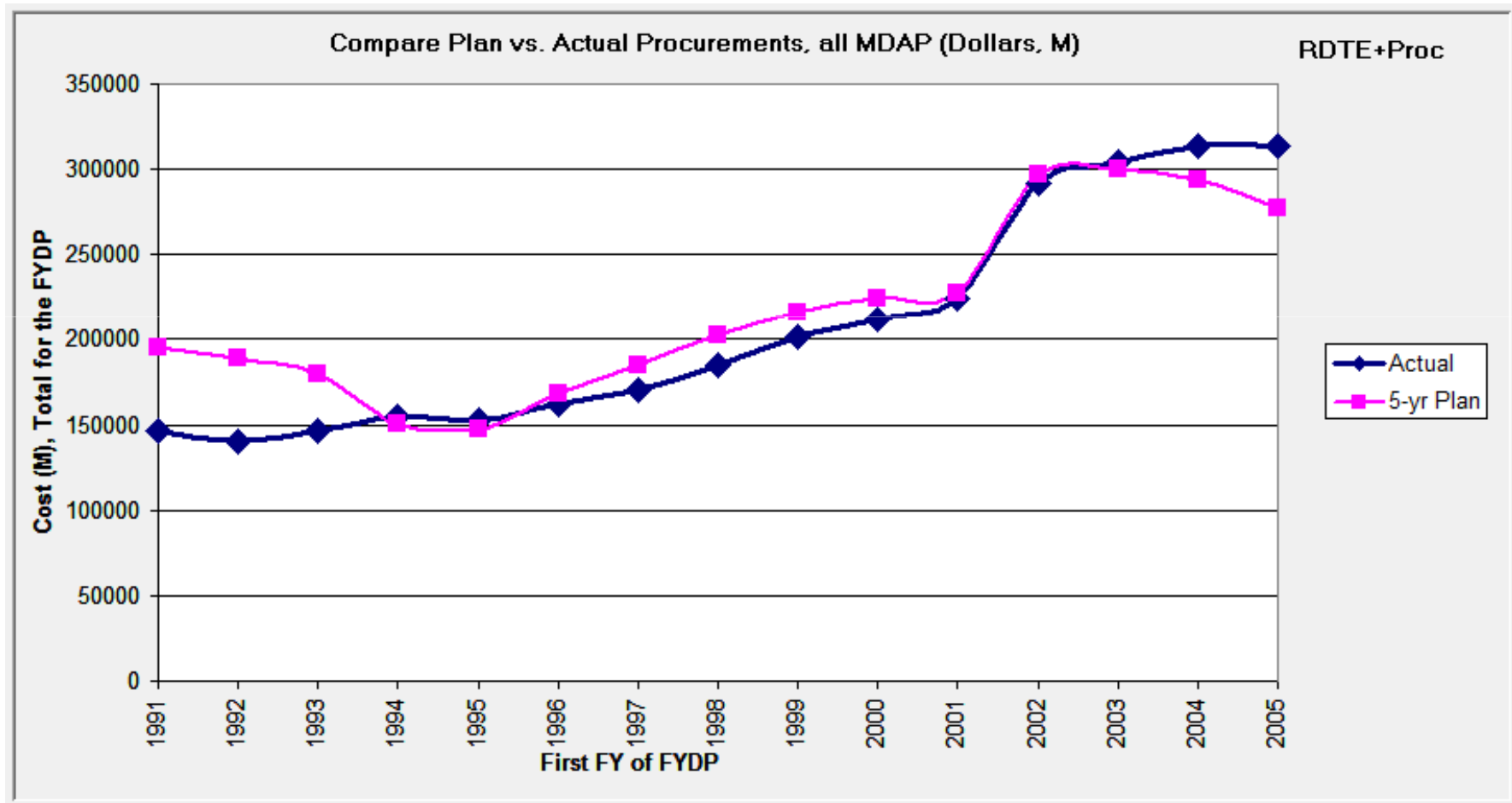


# DoD Top 25 Acquisition Programs

## MDAP "Sunk" vs "To Complete" Funding



# FYDP Funding MDAPs

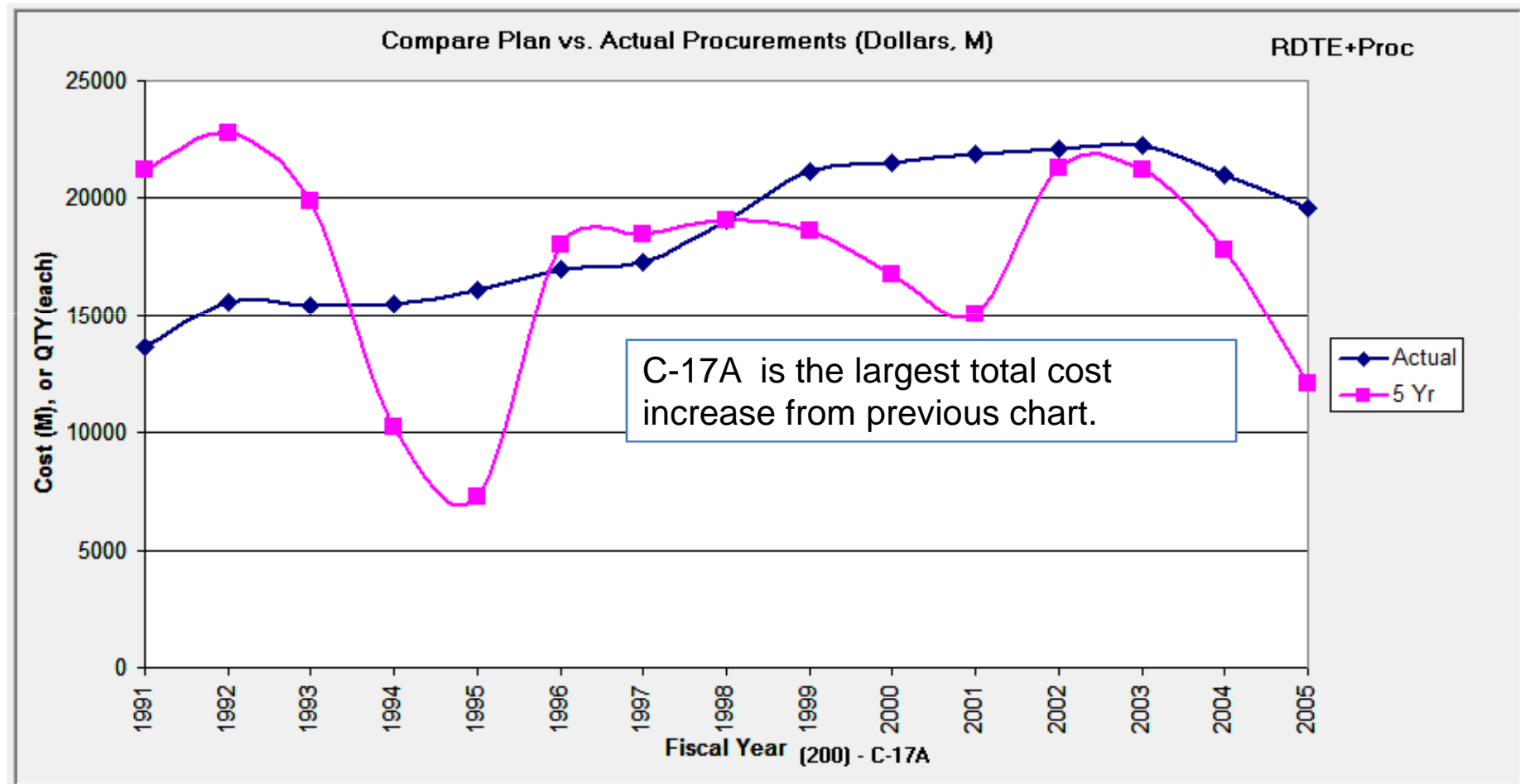


110 MDAPs in study, each had a SAR for 4 or more years

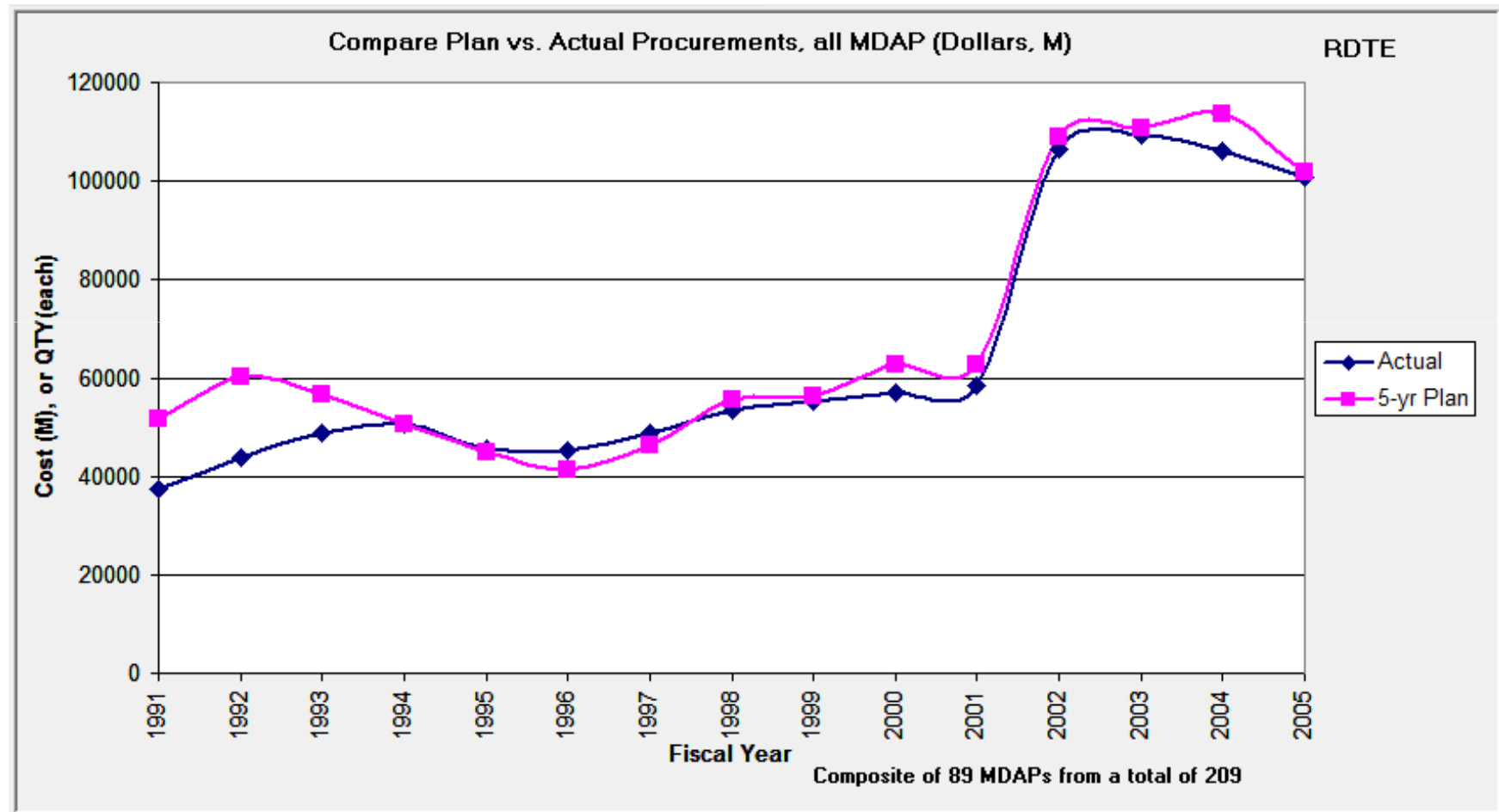


# *Funding at the Individual Program Level*

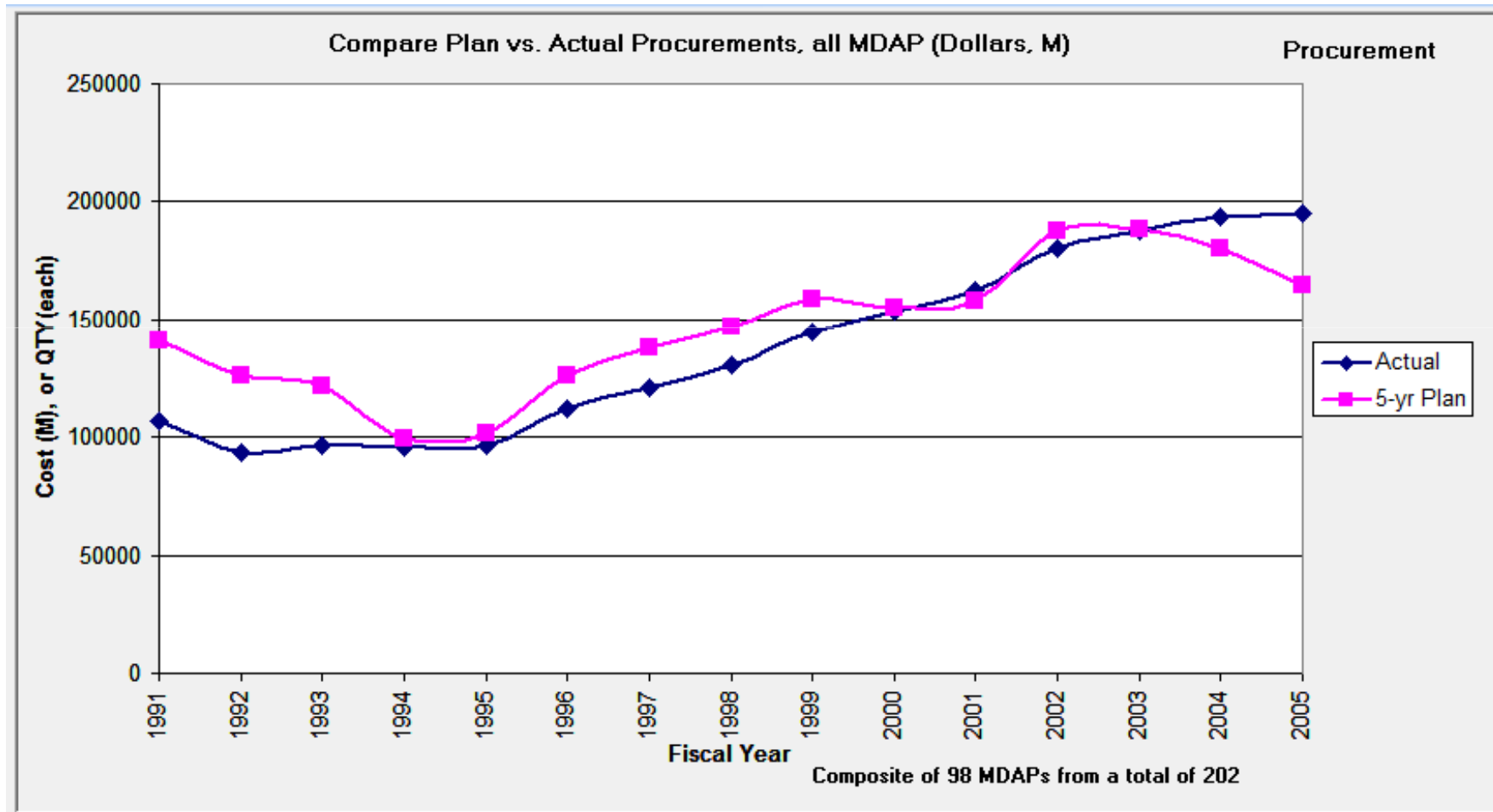
## *C-17A*



# FYDP RDT&E Funding Trends

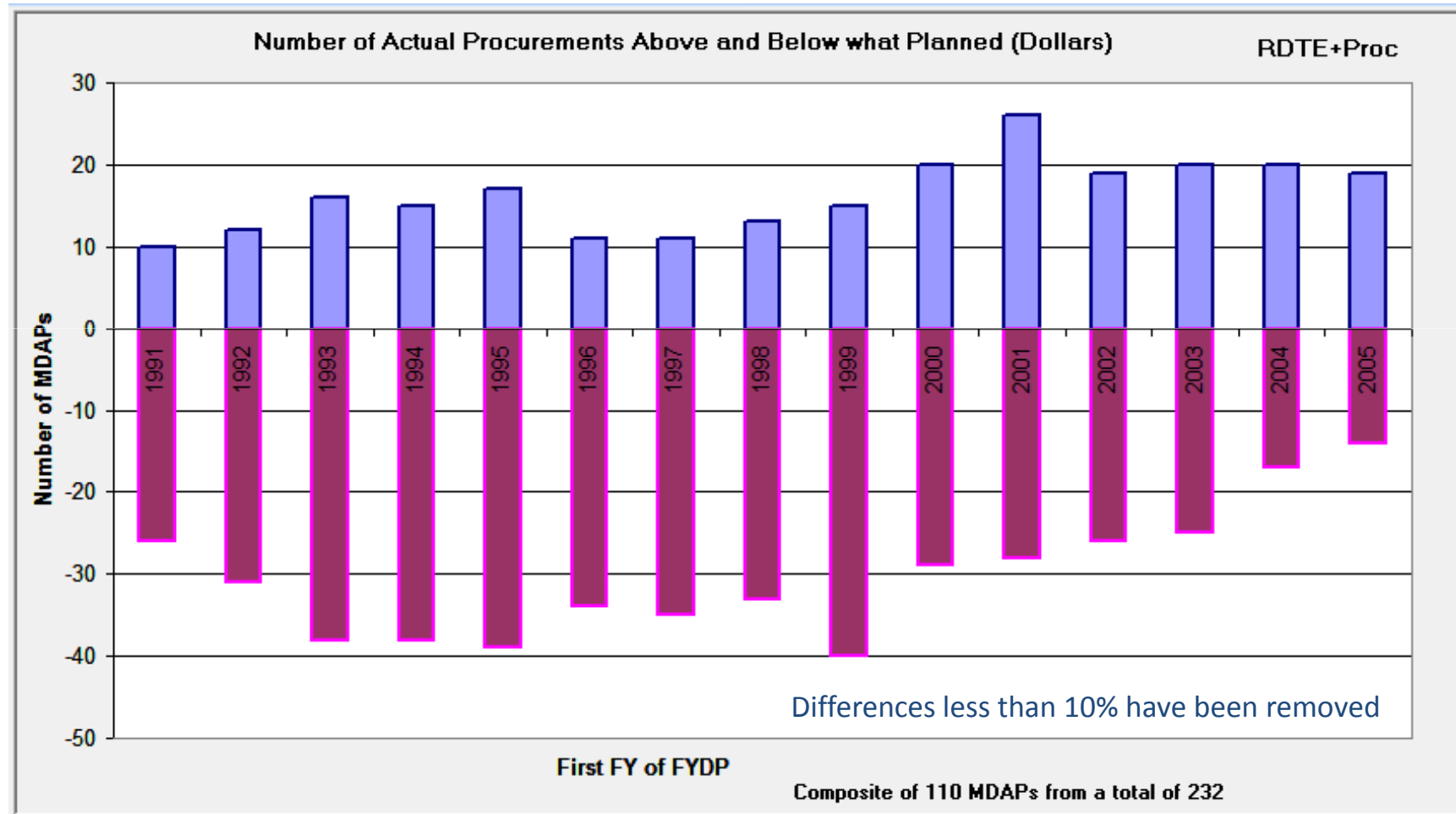


# FYDP Procurement Funding Trends

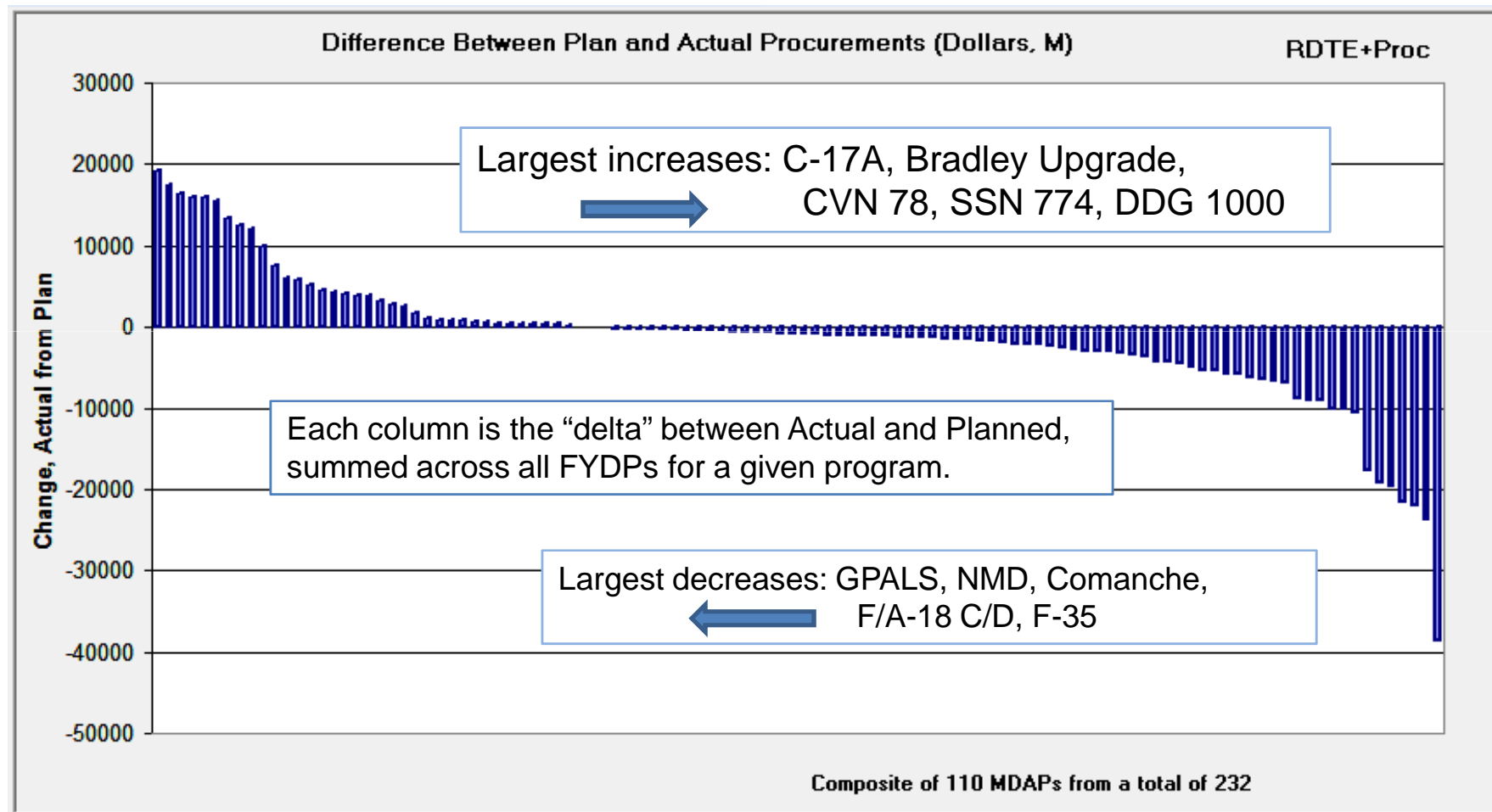


# *Deltas to FYDP Plan*

## *(Counts of Programs Up versus Down)*



# Complete MDAP Portfolio (110 MDAPs) 1990-2009 – FYDP Funding



# ***MDAP Cost Growth***

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- There are numerous methods we can use to classify cost growth
- It depends:
  - Nunn-McCurdy (Congress) – measures unit costs
  - GAO focuses on MDAP portfolio cost, measuring total growth
  - My method eliminates quantity growth and focuses on “real” cost growth over short and long term

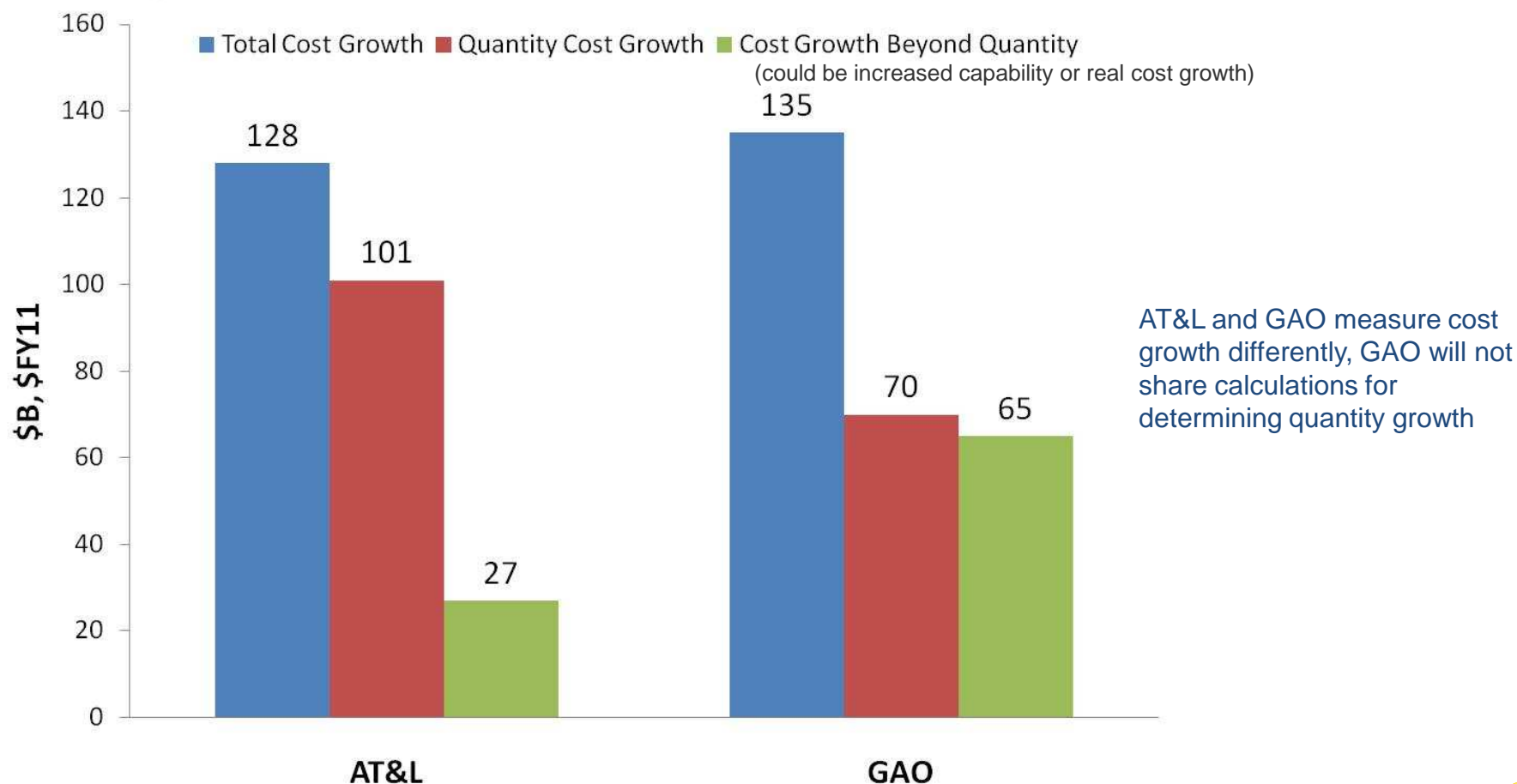




# ***SARs – 2 Year Cost Growth***

## ***AT&L versus GAO***

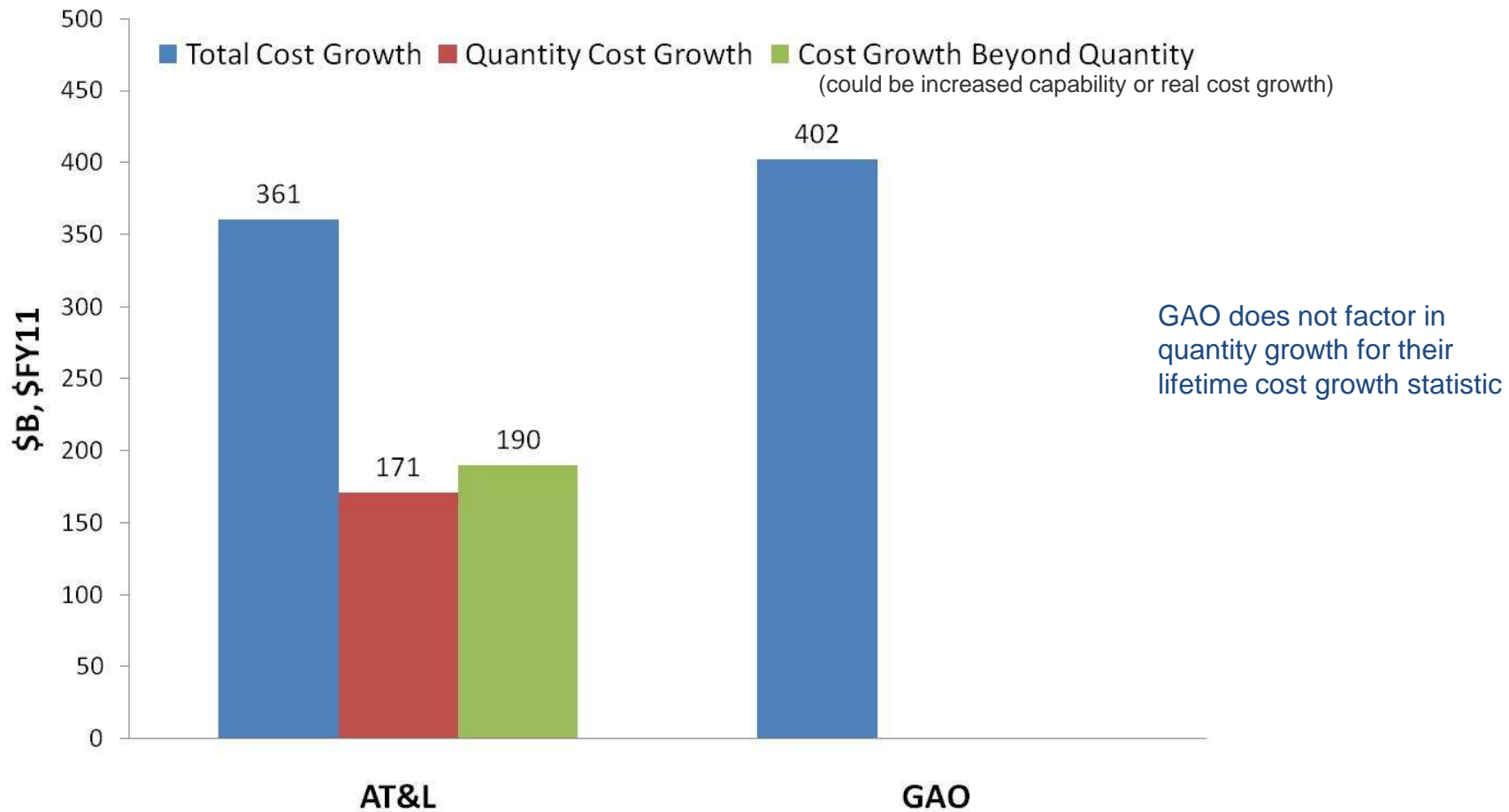
2 year Estimated MDAP Cost Growth - Dec 2007 SAR to Dec 2009 SAR



# ***SARs – Lifetime Cost Growth***

## ***AT&L versus GAO***

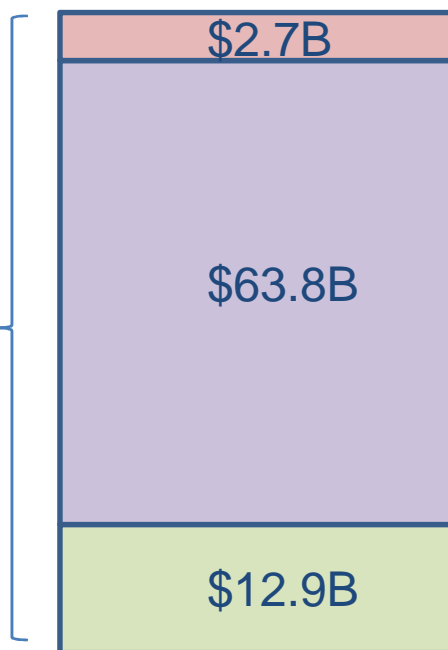
**Lifetime Estimated MDAP Cost Growth - MS B to Dec 2009 SAR**



# GAO Cost Growth for DDG 51



+ \$79B  
79%



Cost Growth beyond quantity  
(could be increased capability  
or real cost growth)

Quantity  
(We bought 48 more ships)

Pre-MS B Cost Growth



Growth over the life of the program



# Should Cost



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE  
3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

APR 22 2011

MEMORANDUM FOR ACQUISITION AND LOGISTICS PROFESSIONALS

SUBJECT: Implementation of Will-Cost and Should-Cost Management

Last Sept  
and III pr  
initiative  
programs  
It is esse  
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Program  
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Program  
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identify



OFFICE OF THE SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

APR 22 2011

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
COMMANDERS OF THE COMBATANT COMMANDS  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Joint Memorandum on Savings Related to "Should Cost"

The purpose of this memorandum is to establish policy with regard to achieved savings as a result of successful "should-cost" program execution. At some point, Service Acquisition Executives will declare that program should-cost savings have been achieved (for example, the negotiated price of an annual production lot of a system is equal to or better than a should-cost program target). That assertion should be validated by the Service Assistant Secretary (Financial Management and Comptroller). Savings would then generally be retained by the Service and reallocated to the highest priority needs as determined by the Service Secretary or a senior leader designated by the Service Secretary.

An exception to the aforementioned guidance would apply if the Secretary of Defense or appropriate designee determines that the savings are required to meet high-priority Department-wide needs, such as financial requirements generated by Joint Urgent Operational Needs. In that case, the savings would be diverted to these departmental requirements.

Ashton B. Carter  
Under Secretary of Defense  
(Acquisition, Technology and Logistics)

Robert F. Hale  
Under Secretary of Defense  
(Comptroller/Chief Financial Officer)

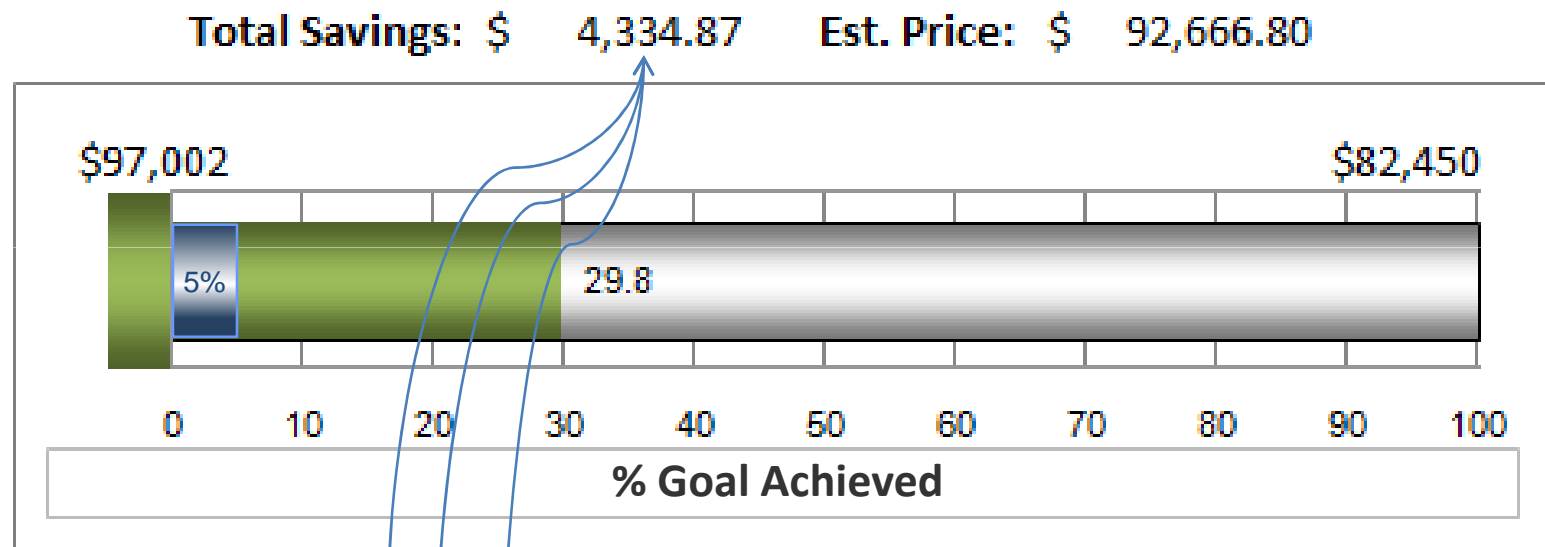
## Ingredients

## What About the Money?



# Should Cost Management

Goal = 15% Reduction in Recurring Unit Price



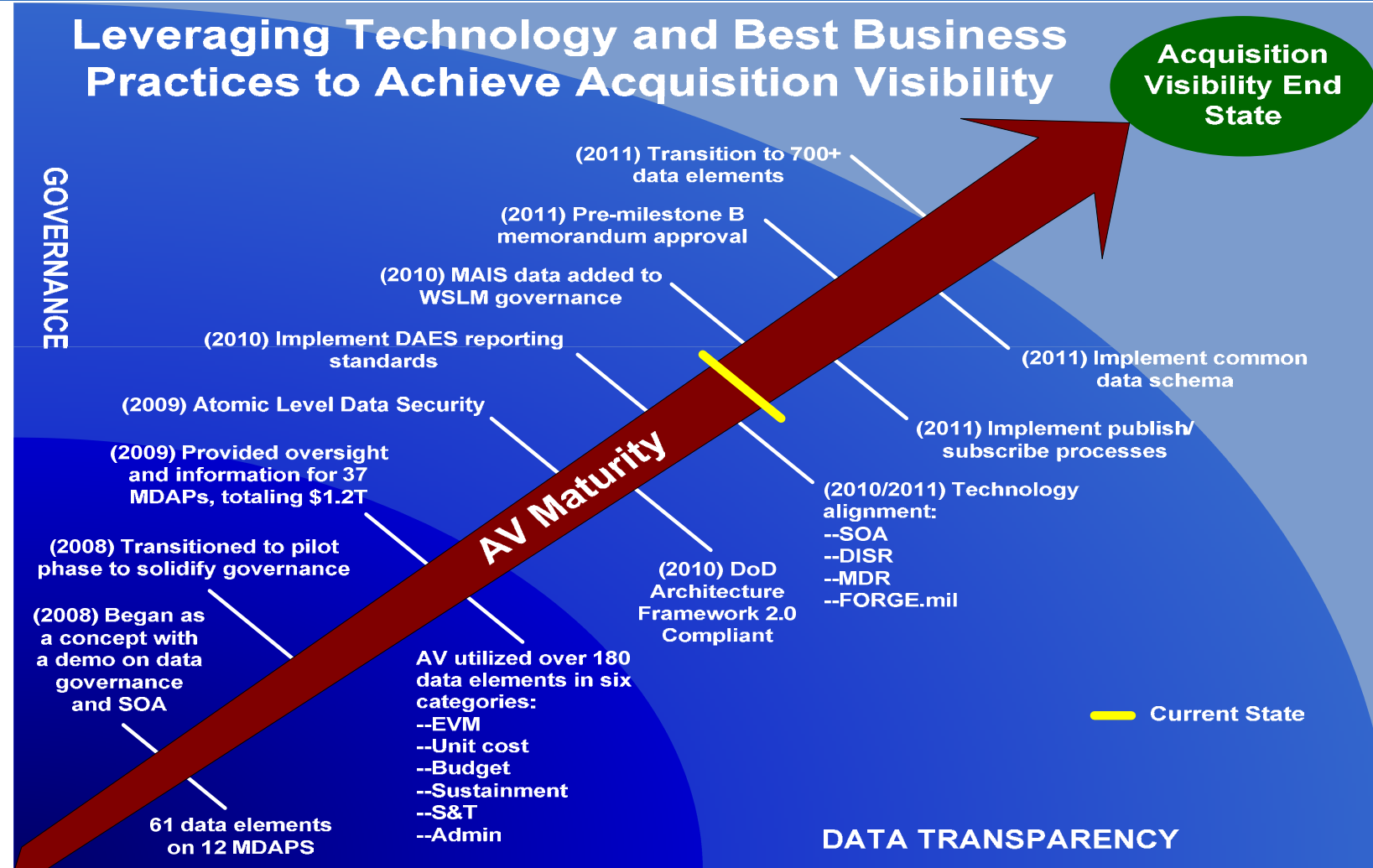
- Realized - \$678/unit
- Submitted Ideas in work
  - Prime - \$2,038/unit
  - Suppliers - \$1,599/unit

Submitted Ideas   
Realized To Date 



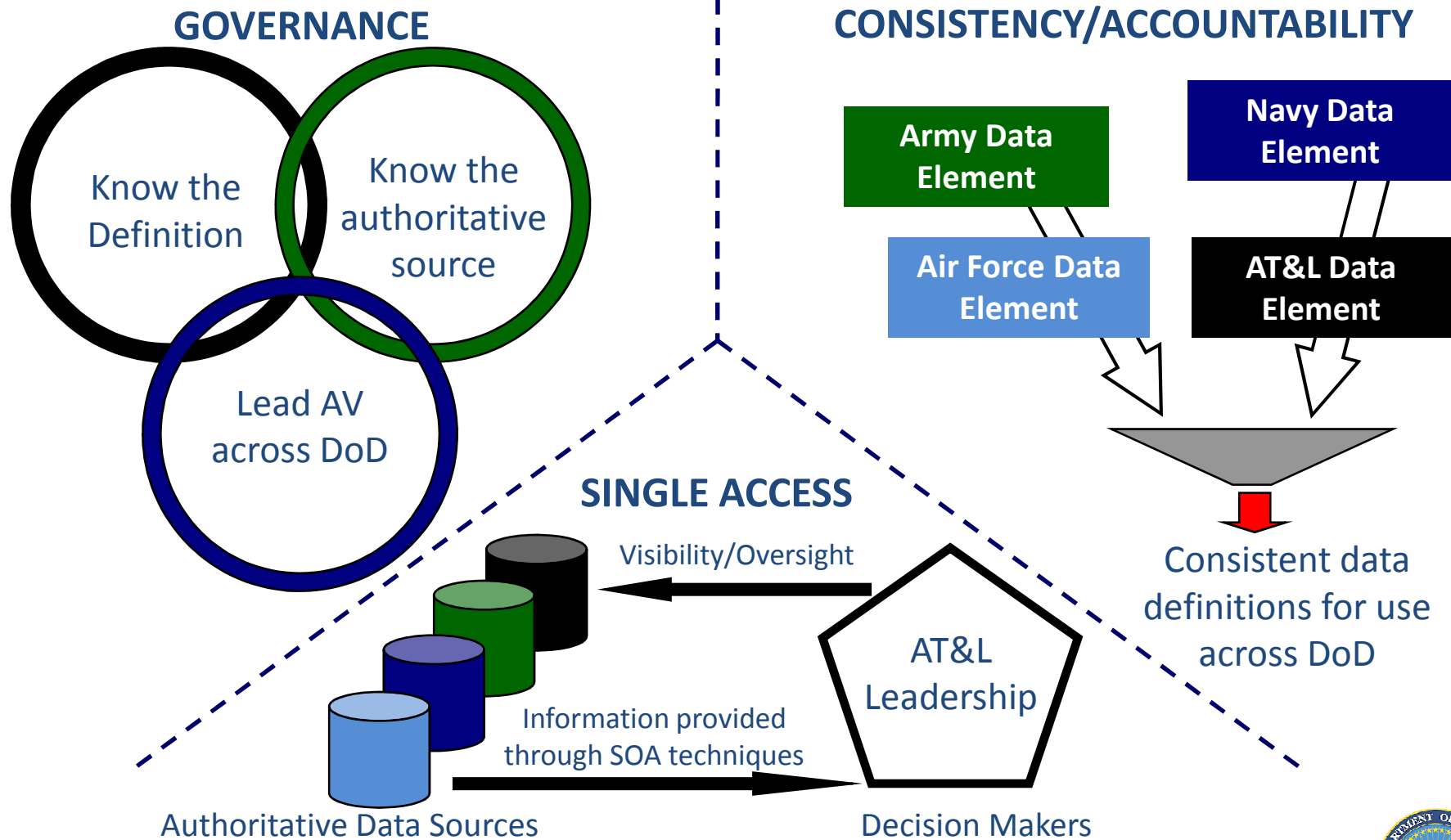
# Acquisition Visibility

## Leveraging Technology and Best Business Practices to Achieve Acquisition Visibility



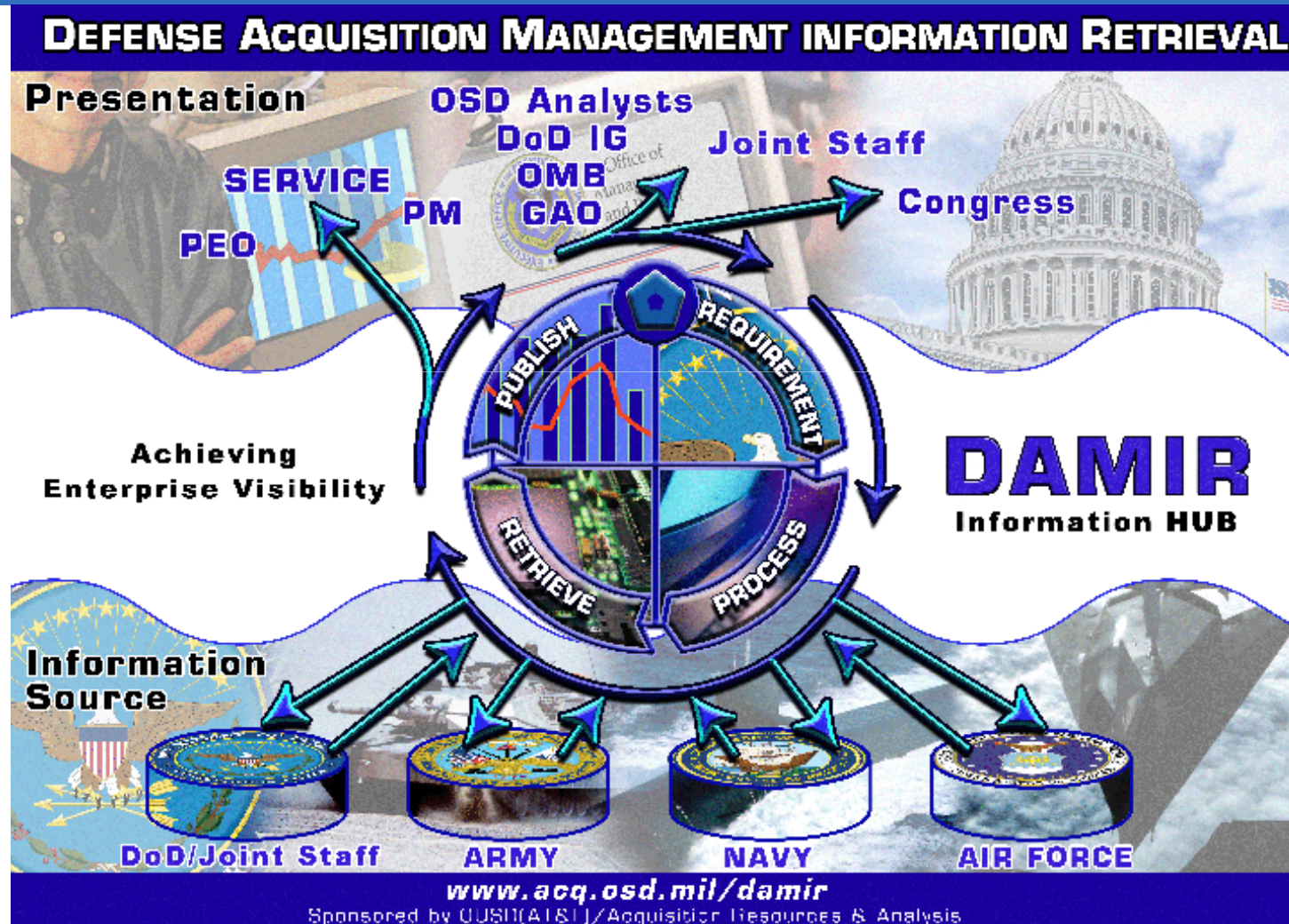
# Acquisition Visibility

## A Focus on Data and Governance





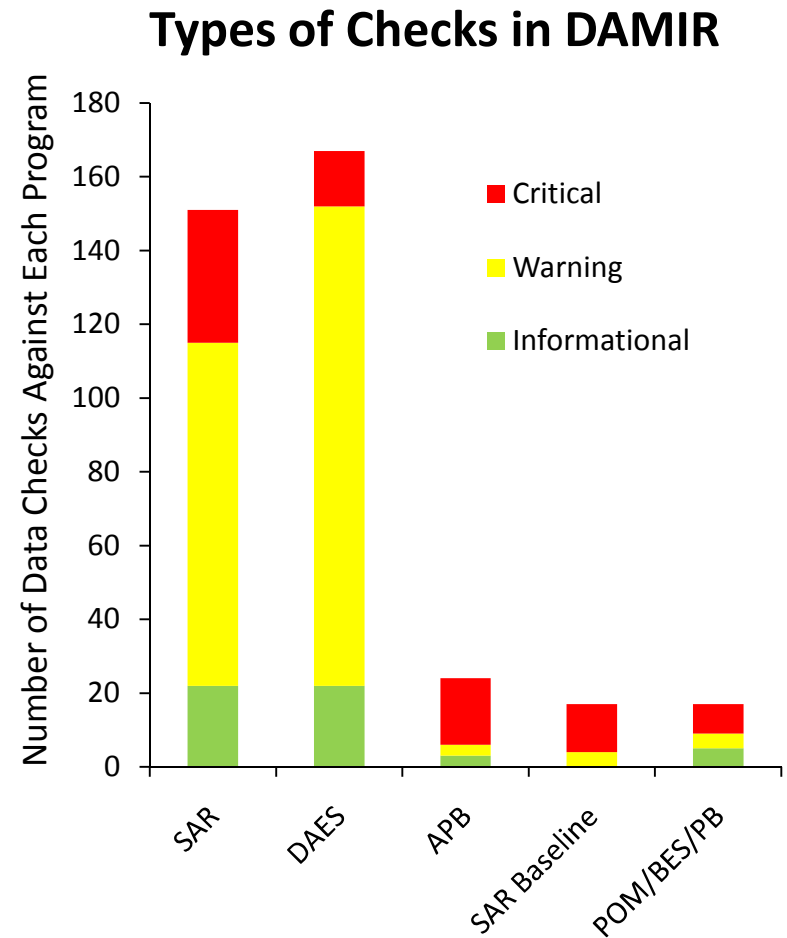
# DAMIR





# DAMIR Validation Checks at Submission

- DAMIR Data entry checks
  - **Critical**, **Warning**, and **Informational** checks
  - Reports *cannot* be finalized with critical checks



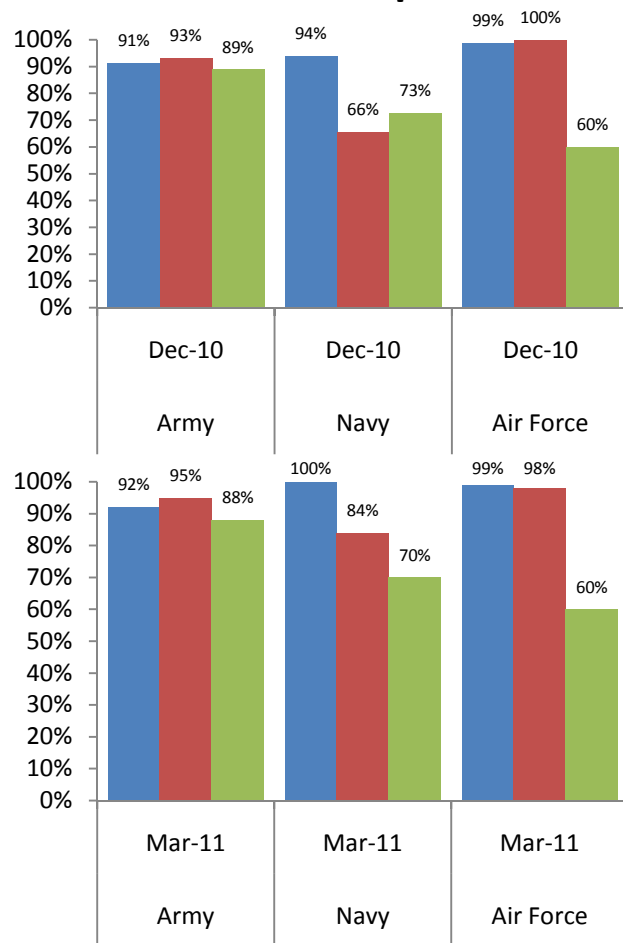
# Data Quality Metrics by Service

Availability

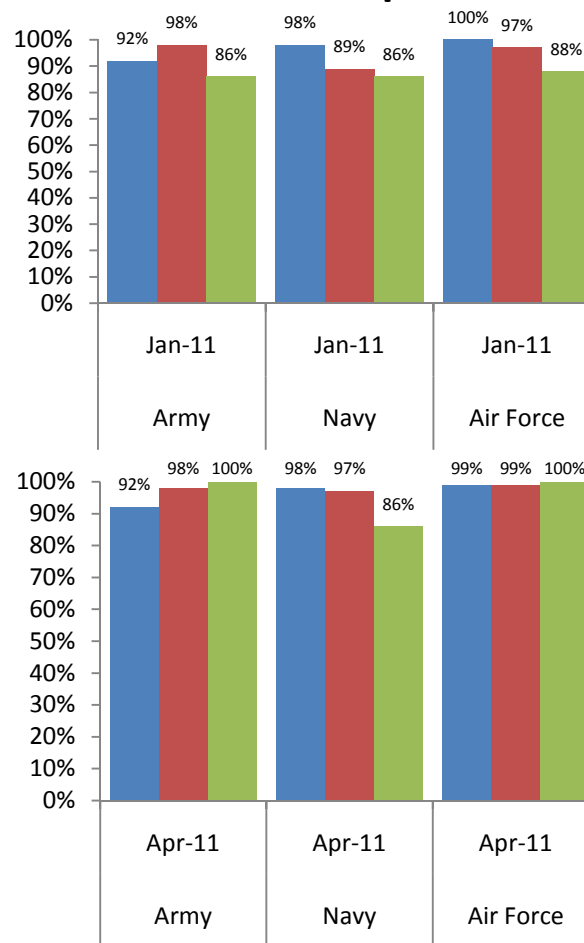
Currency

SAR vs. DAES Alignment

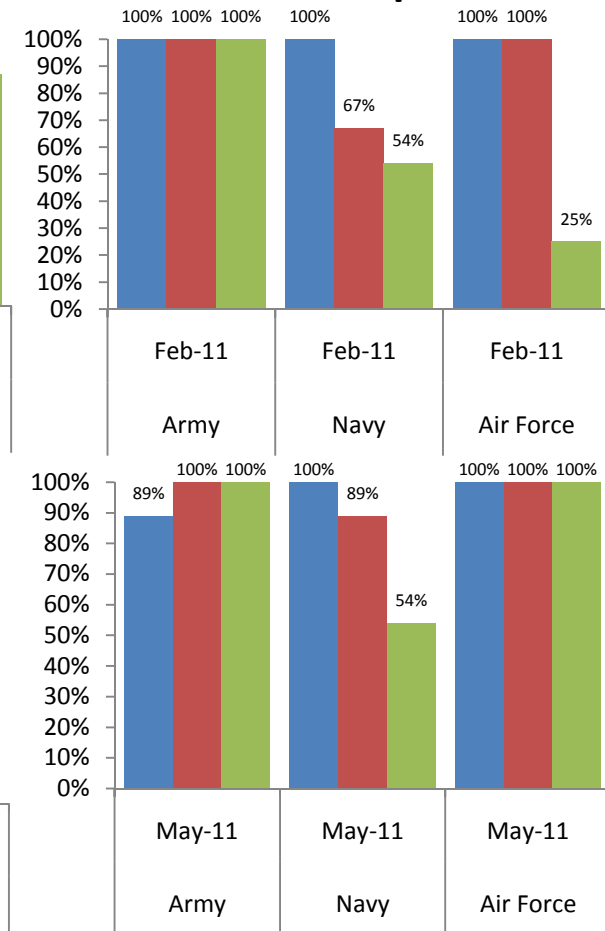
## DAES Group A



## DAES Group B



## DAES Group C



# DAES Assessments

## Program X

### Cost

<b>G</b>	DCMA	The cost risk is rated Green. The major cost driver is . . . There are no known deficiencies in the contractors EVM systems and the program is about 85% complete.
<b>G</b>	ARA/AM	Concur with PM's "green" rating. No known cost issues.
<b>G</b>	PSA/NW	PSA/NW concurs with PM rating/assessment for Cost as Green. Current program estimates are all well below both the Original and Current Baseline APB.
<b>G</b>	CAPE/CA	Rates the Program as GREEN. No outstanding CSDR issues.
<b>G</b>	PARCA	Rates the Program as GREEN. No outstanding CSDR issues.

### Schedule

<b>Y</b>	PSA/NW	Rates Schedule as Yellow (PM assessment is Green). Flight testing is x days behind program schedule but will not breach the APB schedule IOC thresholds.
<b>Y</b>	PARCA	Rates Schedule as Yellow because flight test is behind schedule.

### Performance

<b>Y</b>	PSA/NW	Rating Yellow (PM assessment is Green). There remains some potential for performance risk due to . . .
<b>Y</b>	OT&E/AW	Deficiency corrections identified in the operational assessment need to be addressed prior to OT.
<b>G</b>	SE	Rating green. Program is projected to achieve all KPPs.
<b>Y</b>	PARCA	Rates Yellow because . . .

### Funding

<b>G</b>	AR&A/RA	On track with funding.
<b>G</b>	PSA/NW	Concur with PM Green rating. OSD-12 budget fully funds to the SCP.
<b>G</b>	USD (C )	Rates Green, budget fully funds.

### Test

<b>Y</b>	DT&E	Program created efficiencies to improve from x weeks behind schedule at last assessment to only y weeks behind now. Will make Objective date for IOT&E if schedule efficiencies all work out as planned. No significant technical issues at this time.
<b>Y</b>	OT&E/AW	A delay in DT may impact the scheduled start of OT.

### Sustainment

<b>G</b>	L&MR	L&MR concurs with the PM assessment
<b>G</b>	P&R	Training has been tracking concurrent with program development capabilities. No know training challenges.

### Management

<b>G</b>	PSA/NW	Concur w/PM rating. Program office staffing is adequate/stable.
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### Contracts

<b>G</b>	DPAP	Contract awarded (date). Contract type is FFP. The basic award and subsequent funding modification obligated funds to procure long lead materials in support of LRIP. No reported UCAs.
<b>G</b>	IC	No international aspect

### Interoperability

<b>G</b>	PSA/NW	PSA/NW rates Interoperability as Green. There are no identified interoperability issues.
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### Production

<b>G</b>	IP	Rates the Program as GREEN
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# *Sign Outside the Door of My Boss*

**“IN GOD WE TRUST, ALL OTHERS  
MUST BRING DATA”**

W. EDWARDS DEMING



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# ***Future Research Ideas***



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# *Questions?*

